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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/2007 AND ENDING 12/31/2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: HANKERSON FINANCIAL, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

2929 N. 44TH STREET, SUITE 200

(No. and Street)

PHOENIX, AZ 85018

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MR. WILLIAM HANKERSON

(602) 840-0880

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MOSS ADAMS LLP

(Name - if individual, state last, first, middle name)

8800 E. RAIN TREE DR., Suite 210, SCOTTSDALE, AZ 85260

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

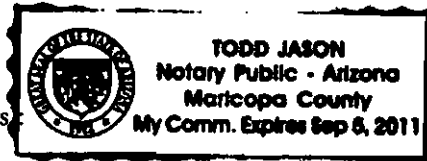
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, WILLIAM HANKERSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HANKERSON FINANCIAL, INC., as of DECEMBER 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

William Hankerson
Signature
President
Title

Todd Jason
Notary Public



This report **contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3. *
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

X (O) REPORT OF INDEPENDENT AUDITORS' ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3.

* RESERVE REQUIREMENT IS NOT APPLICABLE

HANKERSON FINANCIAL, INC.

**Financial Statements and
Supplementary Information as of
December 31, 2007
And Independent Auditors' Report**

HANKERSON FINANCIAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholder
Hankerson Financial, Inc.
Phoenix, Arizona

We have audited the accompanying statement of financial condition of Hankerson Financial, Inc. (an S Corporation) as of December 31, 2007 and the related statements of income, changes in shareholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hankerson Financial, Inc. as of December 31, 2007, the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Schedules I through III are presented for purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information some of which is required under Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Moss Adams LLP
Scottsdale, Arizona
February 23, 2008

HANKERSON FINANCIAL, INC.

STATEMENT OF FINANCIAL CONDITION

As of December 31, 2007

ASSETS

Assets	
Cash	\$ 132,742
Commissions receivable	9,257
Other receivables	2,079
Mutual fund investments	9,711
Prepaid regulatory fees	513
	<hr/>
Total current assets	<u>\$ 154,302</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities	
Accrued liabilities	\$ 9,314
	<hr/>
Total current liabilities	<u>9,314</u>
Shareholder's Equity	
Common stock, no par value, authorized 100,000 shares; 15,000 shares issued and outstanding at stated value	15,000
Retained earnings	129,988
	<hr/>
Total shareholder's equity	<u>144,988</u>
	<hr/>
Total liabilities and shareholder's equity	<u>\$ 154,302</u>

The accompanying notes are an integral part of these financial statements.

HANKERSON FINANCIAL, INC.

STATEMENT OF INCOME

For the Year Ended December 31, 2007

Commission Revenue	\$ 115,514
Commission Expense	<u>50,739</u>
Net commission revenue	64,775
Operating Expenses:	
General and administrative expenses	
Salaries	27,000
Rent	18,000
Professional fees	8,000
Payroll taxes	2,122
Regulatory expenses	3,424
Other	<u>367</u>
Total general and administrative expenses	<u>58,913</u>
Income from operations	<u>5,862</u>
Other Income	
Interest income	5,412
Other income	<u>37,719</u>
Total other income	<u>43,131</u>
Net income	<u><u>\$ 48,993</u></u>

The accompanying notes are an integral part of these financial statements.

HANKERSON FINANCIAL, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the Year Ended December 31, 2007

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Shareholder's Equity
Balance at December 31, 2006	15,000	\$ 15,000	\$ 215,995	\$ 230,995
Distributions			(135,000)	(135,000)
Net income			48,993	48,993
Balance at December 31, 2007	<u>15,000</u>	<u>\$ 15,000</u>	<u>\$ 129,988</u>	<u>\$ 144,988</u>

The accompanying notes are an integral part of these financial statements.

HANKERSON FINANCIAL, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

Cash Flows from Operating Activities:

Net income	\$ 48,993
Adjustments to reconcile net income to net cash flows from operating activities:	
Realized gains on investments	(2,719)
Changes in assets and liabilities	
Commissions receivable	11,288
Other receivables	453
Prepaid regulatory fees	(10)
Accounts payable and accrued liabilities	<u>(10,999)</u>

Net cash provided by operating activities	<u>47,006</u>
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Cash Flows from Investing Activities:

Payment of Distributions	<u>(135,000)</u>
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Net decrease in cash	(87,994)
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Cash, beginning of year	<u>220,736</u>
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Cash, end of year	<u><u>\$ 132,742</u></u>
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The accompanying notes are an integral part of these financial statements.

HANKERSON FINANCIAL, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Company was incorporated December 23, 1985 in the state of Arizona for the principle purpose of acting as a registered securities broker-dealer, under the Securities and Exchange Act of 1934. The Company forwards client transactions to direct participation programs and mutual funds, which carry such accounts; therefore, no customer accounts are reflected in the financial statements.

Revenue Recognition

The Company earns commissions for introducing investors to various investment projects, such as direct participation programs and mutual funds. Commission revenue and commission expense is recognized on the date the investment is funded by the investor. The Company records a commissions receivable for commissions owed to the Company relating to the investment.

Cash and Cash Equivalents

For the purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2007, the Company did not have any cash equivalents. The Company, in the normal course of business, maintains checking and savings accounts with banking and investment institutions. At December 31, 2007, bank balances may exceed the \$100,000 Federal Deposit Insurance Corporation's insurance limit by \$36,195.

Marketable Securities

The Company accounts for its marketable securities under Statement of Financial Accounting Standards ("SFAS") No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*", which requires certain securities to be categorized as either trading, available-for-sale or held-to-maturity. The underlying assets of the mutual funds consist primarily of debt and equity securities. These investments are defined as trading securities and are stated at market value. Market value is as determined by the fund as of the balance sheet date. Net realized gains or losses are determined on the first-in, first-out ("FIFO") basis.

HANKERSON FINANCIAL, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

A concentration of credit risk exists due to the fact that a significant portion of the income received by the Company is received from limited liability companies in which the Company's shareholder is the managing member.

Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and related notes. Actual results could differ from those estimates.

Commissions Receivable

The Company provides an allowance for potentially uncollectible commissions receivable. The allowance is provided based upon review of the individual accounts outstanding and prior history of uncollectible commission's receivables. At December 31, 2007, no allowance has been provided for potentially uncollectible commissions receivables and, in the opinion of management, all receivables are considered fully collectible. At December 31, 2007, 85% of commissions receivable is due from one organization.

Disclosures About Fair Value of Financial Instruments

The Company has financial instruments, some of which are held for trading purposes. The Company estimates that the fair value of financial instruments not considered trading securities at December 31, 2007, as defined in FASB 107, does not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying statement of financial condition.

Income Taxes

The Company, with the consent of its shareholder, has elected under the Internal Revenue Code to be an S-Corporation. In lieu of corporate income taxes, the shareholder of an S-Corporation is taxed on his proportionate share of the Company's taxable income, therefore, no provision or liability for income taxes is included in these financial statements.

HANKERSON FINANCIAL, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

2. RELATED PARTIES

The Company's sole shareholder also is the sole shareholder of a related entity, William Hankerson, Ltd. (LTD). LTD provides research services to the Company. The Company leases its office premises from LTD pursuant to a month-to-month lease agreement, which includes rent, secretarial services and other office expenses. Additionally, as Dealer Manager for several oil and gas drilling limited liability companies (LLCs), the Company receives commissions from Hankerson Management Company, LLC for which William Hankerson is the managing partner. The Company is paid a percentage of the distributable LLC cash allocated to the Manager for its services.

A summary of related party transactions is as follows:

	<u>December 31, 2007</u>
Rent and related office expenses	\$ 18,000
Salary paid to William Hankerson	<u>27,000</u>
Total related party expense	<u>\$ 45,000</u>
Dealer manager fees earned	<u>\$ 115,514</u>

3. INVESTMENT IN MARKETABLE SECURITIES

Cost and fair value of marketable securities at December 31, 2007 are as follows:

	Amortized	Gross	
<u>December 31, 2007</u>	<u>Cost</u>	<u>Unrealized</u>	<u>Market Value</u>
Mutual fund	\$ 3,453	\$ 6,258	\$ 9,711

For the year ending December 31, 2007, unrealized holding gains of \$2,043 are reflected as other income in the statement of income.

HANKERSON FINANCIAL, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

4. OTHER INCOME

On November 28, 2007, the National Association of Securities Dealers ("NASD") and the New York Stock Exchange ("NYSE") announced a plan to consolidate their member regulation operations into a new Self-Regulatory Organization (SRO) that will be the single member regulator for all 5,100 securities firms doing business with the public in the United States. With the merger, NASD expects to reduce its cost of regulation and made a one-time payment of \$35,000 to all its members. As of December 31, 2007, the Company received and included the \$35,000 in other income in the statement of income.

5. NET CAPITAL RULE

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital and a ratio of aggregate indebtedness to net capital, both as defined under such provisions, that does not exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2007 the Company had net capital of \$135,939. The net capital requirement for 2007 was \$5,000. The Company's net capital ratio (aggregate indebtedness/net capital) was 0.07 to 1 for 2007. See Schedule I on page 12 for the computation of net capital and net capital ratio.

SUPPLEMENTARY INFORMATION

HANKERSON FINANCIAL, INC.

Schedule I

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

For the Year Ended December 31, 2007

COMPUTATION OF NET CAPITAL

Total shareholder's equity	\$	144,988
Deductions		
Other receivables		(2,079)
Prepaid regulatory fees		(513)
Haircuts on securities		
Other securities		<u>(1,457)</u>
Net capital	\$	140,939
Net capital required		<u>5,000</u>
Excess net capital	\$	<u><u>135,939</u></u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Accounts payable	\$	-
Commissions payable		<u>9,314</u>
Aggregate indebtedness	\$	<u><u>9,314</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6 2/3% of total aggregate indebtedness or \$5,000, whichever is greater)	\$	5,000
Percentage of aggregate indebtedness to net capital		7%
Ratio of aggregated indebtedness to net capital		<u><u>0.07 to 1</u></u>

HANKERSON FINANCIAL, INC.

Schedule II

**INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3
AND COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENTS OF
RULE 15c3-3**

For the Year Ended December 31, 2007

Hankerson Financial, Inc.'s transactions with customers consist exclusively of acting as an introducing broker-dealer. The Company carries no margin accounts, does not hold funds or securities for, or owe money or securities to customers. The Company, therefore, meets requirements of Paragraph (K)(2)(i) of Rule 15c3-3 and is exempt from the computation of cash reserve requirements for brokers and dealers.

HANKERSON FINANCIAL, INC.

Schedule III

**RECONCILIATION BETWEEN THE COMPUTATION OF NET CAPITAL PER THE
BROKER'S UNAUDITED FOCUS REPORT, PART IIA, AND THE AUDITED COMPUTATION
OF NET CAPITAL**

For the Year Ended December 31, 2007

Net capital per the broker's unaudited FOCUS report, Part IIA and net capital as audited	\$ 140,939
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No adjustments were proposed to net capital per the broker's unaudited FOCUS report, Part IIA
as a result of our audit.

**REPORT OF INDEPENDENT AUDITORS' ON
INTERNAL ACCOUNTING CONTROL**

To the Shareholder of Hankerson Financial, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Hankerson Financial, Inc. (the Company) for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted by the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

MOSS ADAMS LLP
Scottsdale, Arizona
February 23, 2008

END